

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN WATER DISTRICT	)	
TO ISSUE SECURITIES IN THE APPROXIMATE	)	
PRINCIPAL AMOUNT OF \$6,310,000 FOR THE	)	
PURPOSE OF REFUNDING CERTAIN	)	CASE NO. 2012-00317
OUTSTANDING REVENUE BONDS OF THE	)	
DISTRICT PURSUANT TO THE PROVISIONS OF	)	
KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On July 16, 2012,<sup>1</sup> Mountain Water District (“Mountain District”) applied to the Commission for approval to enter into a loan agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$6,311,000<sup>2</sup> to refund certain outstanding waterworks revenue bonds.

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Mountain District proposes to execute an Assistance Agreement with KRWFC to borrow \$6,311,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 27-year term with interest rates that vary from 3.25 percent to 4.4 percent per annum.<sup>3</sup>

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<sup>1</sup> Mountain District tendered its Application on July 16, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On July 30, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

<sup>2</sup> In its Application, Mountain District stated that the total amount of the loan was \$6,310,000. It later advised that the total amount was \$6,311,000.

<sup>3</sup> Application, Ex. A.

2. Mountain District proposes to use the proceeds from the loan to refund outstanding revenue bonds held by Rural Development.<sup>4</sup> The bonds that Mountain District proposes to refund, their interest rate, and amount outstanding are set forth in Table 1 below.

<b>TABLE 1<sup>5</sup></b>		
<b>Series</b>	<b>Bonds Outstanding</b>	<b>Interest Rate</b>
Mountain Water District Works Revenue Bonds of 1988	\$ 306,000	5.0
Mountain Water District Works Revenue Bonds of 1989B <sup>6</sup>	225,000	5.0
Mountain Water District Works Revenue Bonds of 1990	1,034,000	5.0
Mountain Water District Works Revenue Bonds of 1993	487,000	4.5
Mountain Water District Works Revenue Bonds of 1995	1,046,000	4.5
Mountain Water District Works Revenue Bonds of 1998	2,132,000	4.5
Mountain Water District Works Revenue Bonds of 2004	1,081,000	4.375
<b>TOTAL:</b>	<b>\$6,311,000</b>	

3. Mountain District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$292,228 and \$280,836, respectively.<sup>7</sup>

4. Mountain District will expend \$6,521,502 to refund the outstanding bonds and to pay bond issuance costs.<sup>8</sup>

5. Mountain District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper

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<sup>4</sup> Rural Development is an agency of the U.S. Department of Agriculture.

<sup>5</sup> Application, Ex. D.

<sup>6</sup> In Exhibit D, these bonds are incorrectly listed as "Series 1991" bonds.

<sup>7</sup> *Id.*, Ex. C. In Exhibit C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

<sup>8</sup> *Id.*, Ex. B. \$110,425 (Total Underwriter's Discount) + \$84,530 (Cost of Issuance) + \$6,325,523 (Deposit to Current Refunding Fund) + \$1,024 (Rounding Amount) = \$6,521,502. The sources of these funds are: \$6,310,000 (Par Amount of Bonds) + \$76,002 (Reoffering Premium) + \$135,500 (Transfers from Prior Issue Debt Service Funds) = \$6,521,502.

performance of its service to the public, will not impair Mountain District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Mountain District is authorized to enter into an agreement with KRWFC to borrow no more than \$6,942,100<sup>9</sup> for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its Application, Mountain District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

3. Within 30 days of executing the proposed agreement, Mountain District shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that Mountain District has not previously filed with the Commission.

4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in Mountain District's Application.

Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

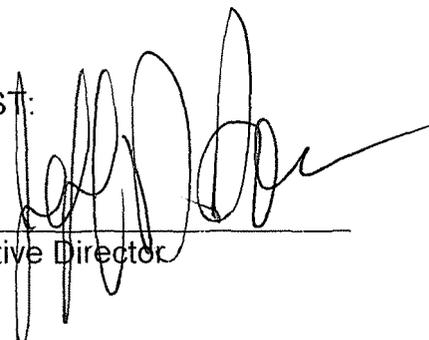
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<sup>9</sup> \$6,311,000 x 110% = \$6,942,100.

By the Commission

ENTERED  
AUG 07 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

Case No. 2012-00317

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